



**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Independent Accountants' Report on Applying Agreed-upon Procedures

Quarters Ended September 30, 2005 and December 31, 2005

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

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Independent Accountants' Report on Applying Agreed-upon Procedures

Mr. R. Thomas Wagner Jr.
State Auditor
Office of Auditor of Accounts
State of Delaware:

We have performed the procedures enumerated below, which were agreed to by the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, solely to assist you in evaluating the bank reconciliations of the Office of State Treasurer as of and for the quarters ended September 30, 2005 and December 31, 2005. The Office of State Treasurer's management is responsible for the State's bank reconciliations. The agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- Compared the list of accounts generated from the Delaware Financial Management System (DFMS) to the bank accounts reconciled by the State Treasurer's Office and the accounts included as part of each quarter's ending cash balance in cash account 1001 on DFMS and found them in agreement.
- Obtained the State Treasurer's Office reconciliation of bank balances to DFMS for each quarter, and performed the following:
 - For the September and December reconciliations, we agreed each bank balance to the actual bank statements, and also agreed each book balance to the DFMS summary trial balance report. No exceptions were noted.
 - For the September and December reconciliations, we obtained explanations and examined supporting documentation for reconciling items over \$2,923,875, including the subsequent clearing of these reconciling items in following months when applicable. No exceptions were noted.
 - Recalculated the September and December reconciliations for mathematical accuracy. No exceptions were noted.
 - For the September and December reconciliations, we compared the types and amounts of reconciling items for larger and unusual items. No items were noted that were both large and unusual.
 - Agreed each quarter's ending cash balance to the Financial Report submitted to the Governor by the Secretary of Finance. No exceptions were noted.



- Read the Office of State Treasurer’s bank reconciliation policies and procedures in order to determine if these policies and procedures were applied when the Office of State Treasurer performed its reconciliations for the months ended September 30, 2005 and December 31, 2005. No deviation from written policy was noted.
- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
 - Selected five transfers per quarter for amounts in excess of \$2,923,875 for the September and December quarters and agreed the transfer information to the applicable month’s bank statements, ensuring both sides of the transfer actually occurred within one business day. No exceptions were noted.
 - Agreed the transfer activity selected to the appropriate postings in the accounts on the DFMS summary trial balance report. No exceptions were noted.
 - Selected five transfers per quarter from the zero-balance bank accounts and agreed the net activity to the corresponding clearing in the concentration bank account. In addition, agreed the monthly posting of the zero balance and concentration account activity to the DFMS summary trial balance report. No exceptions were noted.
- Obtained the Office of State Treasurer’s General Account Reconciliation for the September and December quarters, summarized each quarter’s reconciliations into the form of exhibit A attached, and performed the following procedures:
 - Agreed the bank account information to the corresponding bank statements. No exceptions were noted.
 - Agreed the ending book balance to the ending balance as reported in exhibit B and to the quarter-end reconciliations. No exceptions were noted.
- Obtained the monthly rollforward of cash activity from the Office of State Treasurer, summarized the quarterly activity and prepared the “Proof of Cash Reconciliation” in the form of exhibit B attached, and performed the following procedure:
 - Agreed the beginning balances to the prior month’s ending balances and agreed the ending balances to the monthly reconciliations. No exceptions were noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified bank reconciliations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Governor, Controller General, Attorney General, Office of Management and Budget, and Department of Finance.

KPMG LLP

April 6, 2006

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Schedule of Findings

Quarters ended September 30, 2005 and December 31, 2005

Current-Quarter Findings and Recommendations

No findings or recommendations noted.

Exhibit A**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****General Account Cash Reconciliation**

September 30, 2005

Balance per Mellon Bank, September 30, 2005	\$ 9,977,164
Additions:	
Investments held by Morgan Bank	169,846,483
Investments held by Wilmington Trust	372,218,264
Investments held by Wachovia Bank	315,501,579
Receivables from various sources	145,044
Deposits in transit	342,620
Receivable from Mellon Bank	12,407
Balance at Bank of New York, account number 343891	128,853,978
Fidelity Government Obligation Bonds 1998A	143,332,365
Balance at Wilmington Trust, DELGIP, account number 51828	73,495,460
Wilmington Trust Land and Water Conservation Trust Fund #1	63,182,475
Balance of Wachovia Acct., Justice of Peace, account number 2000013021469	70,203
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	255,688
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 34416-0	290,285,696
Balance at Bank of America, Labor Lockbox	1,242,776
Balance at PNC Bank, Concentration, account number 56-9401099-3	1,024,572
Balance at PNC Bank, DMR Special Services, account number 56-94003988	201,359
Balance at PNC Bank, Bond Account, account number 56-94010846	10,293,902
Subtotal	<u>1,570,304,871</u>
Deductions:	
Outstanding zero-balance accounts (ZBAs) – outstanding checks	90,327,508
Payable for bank errors	34,052
Payable to PNC Bank miscellaneous adjustments	<u>44,324</u>
Subtotal	<u>90,405,884</u>
Balance per State Treasurer's books, adjusted, September 30, 2005	<u><u>\$ 1,489,876,151</u></u>

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

General Account Cash Reconciliation

December 31, 2005

Balance per Mellon Bank, December 31, 2005	\$ 18,102,326
Additions:	
Investments held by Morgan Bank	157,929,652
Investments held by Wilmington Trust	364,595,907
Investments held by Wachovia Bank	363,797,929
Receivables from various sources	135,203
Deposits in transit	277,854
Receivable from Mellon Bank	12,407
Balance at Bank of New York, account number 343891	156,225,057
Fidelity Government Obligation Bonds 1998A	91,445,000
Balance at Wilmington Trust, DELGIP, account number 51828	100,315,690
Wilmington Trust Land and Water Conservation Trust Fund #1	63,791,107
Balance at Wachovia Acct., Justice of Peace, account number 2000013021469	64,163
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	2,244
Balance at Wilmington Trust, Morgan Grenfeld Intermediate, account number 34416-0	290,384,247
Balance at Bank of America, Labor Lockbox	877,294
Balance at PNC Bank, Concentration, account number 56-9401099-3	1,176,079
Balance at PNC Bank, DMR Special Services, account number 56-94003988	214,812
Balance at PNC Bank, Bond Account, account number 56-94010846	10,390,274
Subtotal	<u>1,601,634,919</u>
Deductions:	
Outstanding ZBAs – outstanding checks	60,229,479
Payable for bank errors	30,314
Payable to PNC Bank miscellaneous adjustments	44,323
Subtotal	<u>60,304,116</u>
Balance per State Treasurer's books, adjusted, December 31, 2005	<u><u>\$ 1,559,433,129</u></u>

Exhibit B

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended September 30, 2005

Balance per State Treasurer's books, July 1, 2005	\$ 1,716,742,034
Additions:	
Deposits to cash receipts journal	1,436,934,332
Outstanding cash receipts	24,952,018
Receivables for bank errors	169
Outstanding checks – prior months	247,731,636
Division of Mental Retardation transfer	197,695
Subtotal	<u>1,709,815,850</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	319,849
Deposits to cash receipts journal – prior months	19,136,573
Accrued interest Wilmington Trust Land and Water Conservation Trust Fund #1	183,324
Transfer to PNC Bank for principal and interest on bonds	43,181,000
Transfer from Mellon Bank for payroll and pension direct deposit	351,301,645
Transfer from Mellon Bank to Mercantile Bank for pensions	57,011,755
Transfer from Mellon Bank for Supplemental Security Insurance	370,725
Transfer from Mellon Bank for deferred compensation	1,161,989
Transfer from Mellon Bank for Coventry Healthcare	23,911,415
Transfer from Mellon Bank for Department of Transportation	72,869,600
Transfer from Mellon Bank for Bulgarian Wire	6,358
Transfer from Mellon Bank for Gab Robins	33,410
Transfer from Mellon Bank for ACI PMT	840,101
Transfer from Mellon Bank for PNC Bank	6,579,529
Transfer from Mellon Bank for Colin Wilde	5,310
Transfer from Mellon Bank for Taipei Office	125,000
Transfer from Mellon Bank for IRP Clearinghouse	22,096
Transfer from Mellon Bank for Connolly Bove Lodge	17,025,244
Transfer from Mellon Bank for IFTA	266,011
Transfer from Mellon Bank for Medicaid	1,616,604
Transfer from Mellon Bank for Fuji Systems	29,495
Transfer from Mellon Bank for Motorola	31,567
Transfer from PNC Bank for bank fees, State Personnel Office	5,750
Transfer from PNC Bank for bonds	25,582,477
Transfer for federal income tax, FICA, and Medicare	103,150,342
ACH transfers	476,772,092
Bad-check summary	40,567
Transfer for cleared ZBAs	462,599,779
Transfer for outstanding ZBAs	272,502,126
Subtotal	<u>1,936,681,733</u>
Balance per State Treasurer's books, adjusted, September 30, 2005	<u><u>\$ 1,489,876,151</u></u>

Exhibit B

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended December 31, 2005

Balance per State Treasurer's books, October 1, 2005	\$ 1,489,876,151
Additions:	
Deposits to cash receipts journal	1,540,703,626
Outstanding cash receipts	38,814,625
Accrued interest Wilmington Trust Land and Water Conservation Trust Fund #1	608,632
Receivables for bank errors	4,145
Outstanding checks – prior months	246,016,977
Division of Mental Retardation transfer	13,453
Bad-check summary	10,207
Subtotal	<u>1,826,171,665</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	1,054,916
Deposits to cash receipts journal – prior months	17,462,659
Transfer from Mellon Bank for payroll and pension direct deposit	319,821,807
Transfer from Mellon Bank to Mercantile Bank for pensions	35,538,158
Transfer from Mellon Bank for Supplemental Security Insurance	305,644
Transfer from Mellon Bank for deferred compensation	1,055,327
Transfer from Mellon Bank for Coventry Healthcare	21,294,536
Transfer from Mellon Bank for Bulgarian Wire	1,766
Transfer from Mellon Bank for ACI PMT	1,555,880
Transfer from Mellon Bank for Kirkwood Community Center	122,556
Transfer from Mellon Bank for Parkowski Guerke	4,900,000
Transfer from Mellon Bank for State Police litigation	1,425,000
Transfer from Mellon Bank for IFTA	206,552
Transfer from Mellon Bank for Teresa Koenig	42,195
Transfer from Mellon Bank for Katrina Relief	1,000,555
Transfer from Mellon Bank for Glover Equipment	386,070
Transfer from Mellon Bank for Motorola	3,093,890
Transfer from PNC Bank for bank fees, State Personnel Office	5,750
Transfer from PNC Bank for bonds	3,129,688
Transfer for federal income tax, FICA, and Medicare	122,372,160
ACH transfers	500,813,731
Transfer for cleared ZBAs	505,106,901
Transfer for outstanding ZBAs	<u>215,918,946</u>
Subtotal	<u>1,756,614,687</u>
Balance per State Treasurer's books, adjusted December 31, 2005	<u><u>\$ 1,559,433,129</u></u>